

Qwest.

Spirit of Service

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ORIGINAL

June 15, 2005

REDACTED FOR PUBLIC INSPECTION --
SUBJECT TO PROTECTIVE ORDERS IN
WC DOCKET NOS. 05-65 AND 05-75

RECEIVED

JUN 15 2005

By Hand Delivery

Federal Communications Commission
Office of Secretary

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: WC Docket No. 05-65 -- *In the Matter of SBC/AT&T Applications for Approval of Transfer of Control*

WC Docket No. 05-75 -- *In the Matter of Verizon/MCI Applications for Approval of Transfer of Control*

Dear Ms. Dortch:

On June 14, 2005, representatives of Qwest -- Melissa Newman, Lawrence Sarjeant, Blair Rosenthal, Wendy Moser, Tom Cogan (in person) and Dan Willis (by phone) -- and Peter Rohrbach of Hogan & Hartson L.L.P. (in person) met with members of the FCC staff -- Tom Navin, Bill Dever, Nicholas Alexander, Pam Arluk, Karen Onyeije, Kimberly Jackson, Ben Childers, Craig Stroup, Rodger Woock, Gail Cohen, C. Anthony Bush, Kent Nilsson, Michele Ellison, Jim Bird, Mark Uretsky, Jon Minkoff, and Paul Zimmerman -- to present and discuss the information in the attached document.

Any questions concerning this submission should be addressed to the undersigned.

Sincerely,

/s/

Melissa E. Newman

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List ABCDE

Attachment

Copy to:
Tom Navin
Bill Dever
Nicholas Alexander



Pam Arluk
Karen Onyeije
Kimberly Jackson
Ben Childers
Craig Stroup
Rodger Woock
Gail Cohen
C. Anthony Bush
Kent Nilsson
Michele Ellison
Jim Bird
Mark Uretsky
Jon Minkoff
Paul Zimmerman

Qwest Ex Parte

WC Docket No. 05-65

**In the Matter of SBC/AT&T Applications for
Approval of Transfer of Control
and**

WC Docket No. 05-75

**In the Matter of Verizon/MCI Applications for
Approval of Transfer of Control**

June 14, 2005

Introduction

- **Qwest Out of Region business (QCC)**
 - Qwest's provisioning decisions
 - Qwest's recent activities to move from ILEC special access to MCI
- **AT&T and MCI as Competitors**
 - Role in Qwest RBOC region
 - Role as competitor in QCC region, SBC and VZ territories
- **Other Issues**
 - Pressure on intrastate access levels - the role of AT&T and MCI
 - Stand alone DSL

Qwest RBOC Region

- **Pricing Pressures on Qwest will remain after the mergers, but will be significantly reduced for SBC and Verizon**
- **Pricing Pressures on Qwest wholesale special access pricing by AT&T and MCI**
 - AT&T and MCI exert pressure on Qwest's special access pricing structure by actively engaging in negotiations for both the Regional Commitment Plan (RCP) and the contracts
- **Qwest's Regional Commitment Plan (RCP)**
 - Pricing plan for DS1 and DS3
 - Offers 20% discounts off monthly rates
 - 4-year term
 - Portability – Add and delete circuits without termination penalties
 - Requires a 90% Chan Term commitment – otherwise shortfall or TLA will apply
 - Popular price plan with wholesale customers who enjoy the flexibility of monthly terms with the discounts of term contracts

Qwest RBOC Region

- **Selected Special Access Price Plans and Optical Products**

- SHNS – Self Healing Network Service

- Multi-point fiber optic SONET ring system
 - Detects service degradation or failure and reconfigures itself around the point of failure
 - Offers capacities of OC3, OC12, OC48 and OC192
 - Popular product for retail customers who need to connect multiple metro locations and for large wholesale customers who resell to their own retail end user customers

- SST – Synchronous Service Transport

- Point-to-point fiber optic SONET system
 - Offers capacities of OC3, OC12, OC24, OC48 and OC192
 - Popular product for wholesale customers who, in typical “hubbing” applications, need large interoffice transport and entrance facilities to aggregate local loop traffic

Interstate Special Access Pricing

Price Cap	Price Flex Phase I	Price Flex Phase II
	[Redacted]% Annual Revenue	[Redacted]% Annual Revenue

AT&T and MCI Compared to Special Access Revenue Base

RCP Contracts

- AT&T and MCI represent Over [Redacted] of the total Qwest RCP revenue
 - The next [Redacted] largest RCP customers combined account for only [Redacted]%
- Post merger, SBC/AT&T and Verizon/MCI, including their wireless affiliates, will represent over [Redacted]% of the total RCP revenue

Total Qwest Interstate Private Line Revenue – Both Wholesale and Retail

- AT&T and MCI Represent [Redacted]% of total revenue

Pricing Pressures from AT&T and MCI on Qwest Special Access

- **The RCP and contract tariffs were the result of pressure placed on Qwest by AT&T and MCI**
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]
- **Other carriers benefit from pressure through tariff offerings**
- **AT&T & MCI continue to apply pressure**
 - [Redacted]
 - [Redacted]
 - [Redacted]
 - [Redacted]

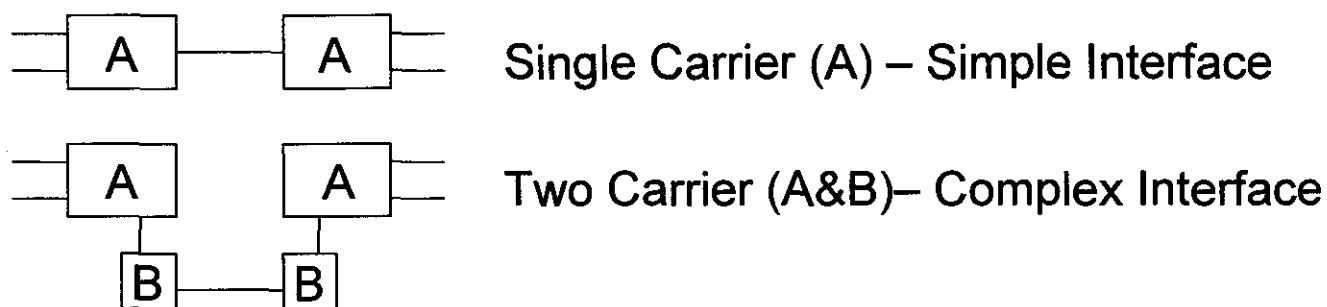
Qwest Out of Region Business

- **Qwest's [Redacted] mile long haul national network is supported by owned local fiber facilities in [Redacted] major metro areas:**
 - [Redacted] collocations
 - [Redacted] fiber lit buildings directly connecting customers
- **Qwest utilizes leased facilities to serve customers where owned facilities are not available**
 - Serving customers in all 50 states – [Redacted] separate LATAs
 - Serving customers from over [Redacted] ILEC serving wire centers
- **2004 Customer Revenue by Market Segment**

Ubiquitous Integrated Network Preferred

- By having a more integrated network, as is the case where the same carrier handles the circuit end to end, we obtain better performance, reliability, and security, all of which are significant measures of quality, and we save on cost
 - Performance – more handoffs means more delay, latency, jitter, and other stochastic impacts to service
 - Reliability – Handoffs for repair mean longer repair times. More equipment means more failures, and potentially more risk of outage. More handoffs mean more interfaces, leading to more opportunity for human error
 - Security – more handoffs means more systems and interfaces, leading to more potential security gaps. More companies introduces differences in security practices, leading to more security gaps
 - Cost – more equipment means more cost. More companies means more interfaces, more systems, more repair technicians and other people, so higher cost to operate

Diagram of single vs. two-carrier network solution



Qwest Out of Region Business

- **Qwest analysis of Make/Buy decision - Process for New Sales**
 - Only large account high-dollar contracts requiring build-out are evaluated
 - Most are installed initially on leased facilities in order to meet customer time requirements
- **Make/Buy decision**
 - Sales Inquiry
 - Local Facility Check
 - Records Check
 - Sales Engineering Support and/or Network field check
 - Build Estimate Completed/Leased Solution Cost Developed
 - Revenue and Cost Evaluation (Return on Investment) and Decision
 - Term of Commitment Crucial
 - Customer presentation
 - Build Initiated Upon Sale Contract Approvals
- **Most network build-outs occur after provisioning and are justified by multiple customers at a single or nearby location**

Qwest Out of Region Business

- **How Qwest decides to purchase special access in a new sale scenario**
 - [Redacted]
- **How Qwest decides to move existing circuits from the ILEC to a CLEC**
 - [Redacted]

AT&T and MCI as Competitors

- **In Region Pricing Pressures on Qwest retail special access pricing by AT&T and MCI**
 - AT&T and MCI exert pressure on the retail markets by offering services to retail customers at discount rates
 - Qwest competes for the same business as MCI and AT&T in region
- **Out of Region Contract Bids**
 - Frequently AT&T and SBC or Verizon and MCI bid against each other for the same customer contract
- **SBC and Verizon compete for business customers in their region in the same manner that Qwest competes for business customers as an RBOC**

In Region Retail Pricing Pressure Examples from AT&T & MCI

Customer	Service	Standard Pricing (MRC)	Competitor*	Discounts Required	Win/Lose
A	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
B	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
C	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
D	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
E	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
F	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
G	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
H	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
I	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
J	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
K	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

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Out of Region Pricing Pressure Examples

Customer A

- Location - [Redacted]
- Service - [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Customer B

- Location - [Redacted]
- Service - [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Customer C

- Location - [Redacted]
- Service - [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Customer D

- Location - [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

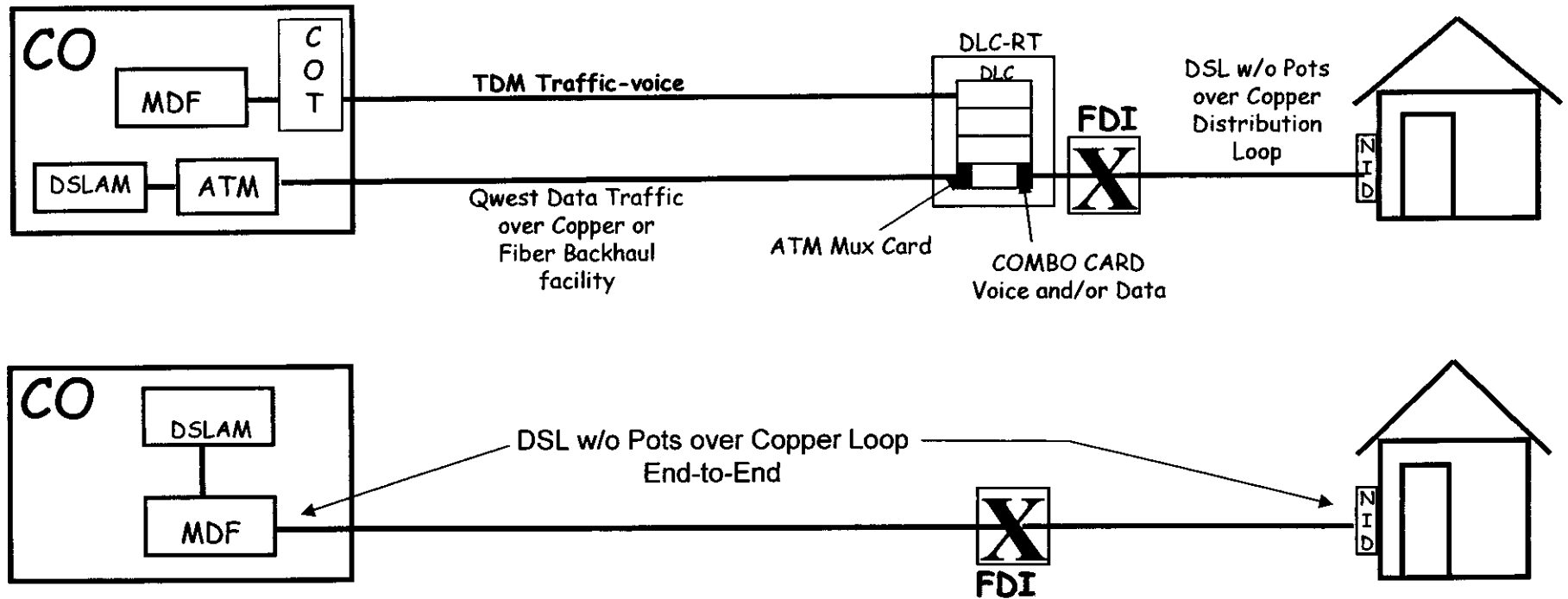
AT&T and MCI State Level Pressure

- **AT&T and MCI put significant pressure on Qwest's prices through the regulatory process**
 - Reducing Intrastate Switched Access pricing has been the battle cry of AT&T and MCI for years in most state dockets
 - Arizona AFOR - Qwest agreed to reductions in intrastate switched access
 - Colorado deregulation settlement – Qwest agreed to reductions in intrastate switched access
 - New Mexico legislation
- **AT&T and MCI put significant pressure on SBC and Verizon's prices through the regulatory process**
 - AT&T and MCI lead in filing complaints in switched access docket in SBC and Verizon's regions
 - Pennsylvania, Virginia, and California all recent examples where MCI or AT&T have been the primary force behind the dockets

Stand Alone DSL

- **Clearly stand alone DSL is technically feasible to offer**
 - Qwest offers Stand Alone DSL in all locations where 1.5 Mbps DSL is offered
- **Stand Alone DSL is a critical component in the ability of VOIP to become a competitive alternative**
- **Issues Qwest addressed to offer service**
 - Telephone phone number assignment for non-POTS
 - Suppress directory listing without charge
 - Modify wholesale ordering systems to allow resale
- **Can be done if the ILEC is willing**

DSL w/o POTS Architectures



KEY:

ATM Asynchronous Transfer Mode
 CO Central Office
 COT Central Office Terminal
 DLC Digital Loop Carrier
 DLC-RT Digital Loop Carrier-Remote Terminal
 DSLAM Digital Subscriber Line Access Multiplexer

FDI Feeder Distribution Interface
 MDF Main Distribution Frame
 Mux Multiplexer
 NID Network Interface Device
 POTS Plain Old Telephone Service
 TDM Time Division Multiplexing